SEVEN DEADLY SUPERSTITIONS IN
BUSINESS PROCESS OUTSOURCING

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INTRODUCTION

“Outsourcing” is the process of transferring responsibility for the execution of any of a company’s recurring internal activities or processes to another company\(^1\). The outsourcing company ceases to use its own employees to undertake certain activities while continuing to use the results of those activities. Outsourcing in the manufacturing sector has been historically well established in industries such as automobiles and aeroplanes. Outsourcing services – such as back office operations, call centres and software development is also a few decades old. However, the dramatic increase in offshoring – the relocation of organizational processes to remote locations - in recent years has created a wave of current interest in the outsourcing of business processes (Business Process Outsourcing or BPO in short). A McKinsey report expects offshoring to grow by 30 to 40 percent a year over the next five years in the US\(^2\). While outsourcing is not synonymous with offshoring (the former involves crossing firm boundaries, whereas the latter involves crossing geographic boundaries), current usage tends to apply the term BPO to describe both. In practice, BPO embraces a range of complex organizational models that differ in terms of their ownership structure and proximity to original process location (See Figure 1).

INSERT FIGURE 1 HERE

Despite the dramatic surge in BPO activity, significant practical and theoretical questions remain unanswered in the minds of practitioners and academics. How best to relocate and execute a process that is currently performed onsite to a new location and to a new organization? How can firms maintain coordination and control across their legal boundaries? This paper draws on a research project that aimed to answer such questions (See Inset on the research base). We draw on approximately 100 interviews across clients and vendors from banking and financial services, FMCG, pharmaceuticals and the media. We
summarize seven common problems that vendors and clients appear to encounter in managing the outsourcing/offshoring of business services. These seven problems arise due to implicitly or explicitly held beliefs by clients and vendors that are essentially superstitions – beliefs not based on fact or reason. These superstitions appear to be widespread and recurring. Worse, we suspect they can be deadly – to the success of outsourcing projects, and even to an organization’s overall outsourcing initiatives themselves. We hope that by reading this, you will confront your own beliefs about these issues; at a minimum we hope to stimulate a thoughtful debate about them within your organization.

SUPERSTITION 1: WE CAN HAVE IT ALL

The golden triangle for us is flexibility, quality and cost- you can squeeze harder on one only at the expense of the other

Head of Group Offshoring, Diversified Conglomerate

Many outsourcing projects appeared to run into difficulties because the managers in the client organizations had unrealistic or conflicting expectation from outsourcing. The fundamental motives for outsourcing are efficiency, effectiveness and flexibility (See Table 2). Each in itself is a perfectly valid motive. The problem is that many clients expect (and indeed many vendors promise) all three – efficiency, effectiveness and flexibility- in the same outsourcing project. Such claims run counter to basic principles about tradeoffs that are well known to economists and strategists.

INSERT TABLE 2 HERE

For instance, there is a well-known trade-off between efficiency and effectiveness that forms the basis for Michael Porter’s generic strategies framework. As product/service features increase, so do costs, even under the most efficient production conditions. Further, organizing for effectiveness is different from organizing for efficiency. The internal structures, systems,
processes and culture that enable a vendor organization to provide “least cost solutions” are quite distinct from those that support a “full-service offering”. Procedures used to identify target processes to outsource, vendor selection, contract negotiations and relationship management also differ by outsourcing objective.

While this need not necessarily imply that we need different vendors for efficiency and effectiveness, it certainly implies that the manner in which the outsourcing relationship is organized will differ based on the motives. Similarly, flexibility, which is the capacity to increase and decrease scale of production rapidly, is not easy to reconcile with a “lean” and low cost operation unless vendors have multiple clients across whom they can balance demand. But that, in turn makes it less likely that they can function as dedicated captive units that are highly responsive to the unique requirements of the client. There may be BPO vendors who can provide 40% reductions in cost, and those that can provide 20% quality improvements, but they are unlikely to be the same. Put simply, our point is that both vendors and clients should be wary of offering and expecting efficiency, effectiveness and flexibility simultaneously; unless a genuine technological or organizational innovation has “pushed the envelope” (i.e. moved the efficiency frontier), the three are usually incommensurate.

Another reason why mixed motives are dangerous is that if key internal stakeholders differ in their expectations from the outsourcing project, the project is in political trouble before it began. Outsourcing without a clear motive and organizational buy-in from senior executives will likely result in perceptions of outsourcing failure, whatever the ground realities. To have one end of the reporting chain thinking of BPO in terms of cost reduction, while the other thinks strategic transformation can lead to conflicts of actions, goals, and eventually a disenchantment with the BPO process. Prioritise your outsourcing objectives – efficiency, flexibility or effectiveness- and communicate them widely within the organization – you cannot have them all.
Superstition 2: Vendors are insurance companies

The senior management in our company is extremely paranoid and requested the vendor to build a nuclear bunker at their site to house the company servers.

IT Director, Financial Services Organization

The sharing of risk between clients and vendors is one of the most contentious issues in BPO, leading to acrimonious negotiations, and poor client vendor relationships. To understand the underlying issues here, take a moment to answer the following questions:

For a process that you currently perform in-house:

1. What is the current process failure (error) rate?

2. What is the economic (dollar value) impact of each failure?

Now, ask yourself how would the answers to the above change once you outsourced this process?

No business process is foolproof. There always exists a risk that a process might fail (that’s why most well documented business processes are also characterized by an acceptable error rate). However, it is important to distinguish between the risk of process failure and the economic consequences of process failure. For instance, consider process failure in the context of a call centre. It could mean poor customer satisfaction with the manner in which calls are answered or their problems are resolved. The economic consequences of this process failure are customer attrition and damage to brands and reputation. The question is – how do the risks and costs of failure change with outsourcing?

The risk of failure may increase or decrease to the extent that the vendor firm is more or less competent than the client. Indeed a basic principle of outsourcing is to prevent worsening the error rate and should guide vendor selection. However, in most cases, the actual cost of a process failure when it occurs is the same regardless of who is executing the
Therefore unless outsourcing changes the costs of process failure, it is unclear why clients should expect vendor companies to bear part of the economic consequences of process failure ex-post. Another example from a different industry might clarify things further: let’s say that an automaker out-sources the manufacture of the seat belt system to a supplier. Whether the seat belts are made internally or procured, it remains the automakers responsibility to ensure that they meet quality standards before selling the final product (a car) to customers. While Ford should take every step to ensure that the risk of poor quality does not increase due to outsourcing (through well defined standards, quality inspection, monitoring etc), it is not clear why outsourcing should make Ford less responsible for the ultimate quality of their product. For instance, Ford was held liable for the defects found in Firestone tires used in Ford vehicles. Similarly, when pharmaceutical companies outsource clinical research, the responsibility for the integrity of the research still rests with the pharmaceutical companies. In fact, the only “vendors” to whom one can outsource business risk wholesale are insurance companies. BPO vendors are not insurance companies. Outsourcing companies must assess how to ensure that the process error rates do not deteriorate due to outsourcing, and must have a realistic assessment of the extent to which the vendor can be made responsible for process errors when they occur. Negotiating unrealistic penalty clauses or demanding unrealistic safeguards does not help with successful business process outsourcing.

Superstition 3: Outsourcing services is like procuring commodities

You’ll be surprised at how many of our people thought that outsourcing back-office operations is fundamentally like procuring stationery!

Senior Manager of Operations, Global Financial Services Company

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1 Some recent evidence however suggests that customers are more unhappy for the same process failure when they discover that the service is being delivered from offshore locations.
Markets for commodities like fuel or grain comes closest to the economists’ ideals of a frictionless market. Most real world procurement is subject to significant transaction costs—the costs of transacting the commodity over and above the value of the commodity itself. Some of these costs arise from the need to defend oneself against possible “sharp practice” (opportunistic dealings), and some arise from the fact that human beings are not infinitely rational—mis-steps, mistakes and coordination failures beset even the most well-meaning of human enterprises. The transaction costs in outsourcing could be roughly divided in three categories: contracting costs, transition costs and interaction costs.

**Contracting costs:** These are the costs of selecting vendors, negotiating and reaching agreement on suitable contractual deliverables, designing and implementing monitoring, measurement and dispute resolution mechanisms.

**Transition Costs:** These are the costs of knowledge capture and transfer from one set of personnel to another. Much knowledge is embedded in human capital and social relationships, knowledge that is difficult to transfer to vendors/captive organizations. Transition costs involve incenting employees to share knowledge, transferring knowledge, creating documentation, redundancy costs etc.  

**Interaction Costs:** These are the cost of managing interactions between the outsourced processes and the processes remaining within the firm. Once the process is outsourced, it needs to function in-sync with the other related processes retained in-house, i.e., these costs arise from the need to manage interactions between the process and context. The outsourcing of business processes involves substantial amounts of synchronous coordination—the client and vendor need to interact on a continuous basis during the “production” of the service.

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2 Depending on the process to be outsourced, the process of transitioning could be complex, and executives should not believe that “process improvements could go hand-in-hand with transitioning”. Process improvements are best attempted (and easily achieved) once the process is transitioned to the vendor and has reached accustomed in-house performance levels.
Interaction costs involve costs such as ongoing process mapping and interface design, costs of travel and (tele)communication, and costs of coordination mistakes.

Table 3 provides a list of indicators of transaction costs in BPO as well as potential remedies. These transaction costs are not likely to be equally important in all outsourcing agreements. Though BPO initiatives include very different processes, we make a fundamental distinction between BPO initiatives that involve content development from those that involve service provision. Content development involves the creation of fairly well defined outputs or products by vendors. These relations involve clear handovers, schedules and typically more precise contracts. Examples include outsourcing for application development, equity research, R&D, clinical trials etc. Service provision involves ongoing relationships where a vendor provides a service on a continual basis. Examples include applications maintenance, call centres, help desk, and transaction processing. We expect that the impact of transition costs and interaction costs are likely to be more severe in service provisioning than in content development.

The relative importance of these transaction costs are also likely to systematically differ depending on how the process is organized: i.e., on the ownership model and proximity to origin. When a process is sourced from an internal division, contracting costs are likely to be lower than when it is sourced from a 3rd party vendor. However, in-sourcing does not mean contracting costs are zero – they still exist and need attention. Outsourcing to a vendor is also likely to raise transition costs, since the transferring internal company knowledge to a 3rd party is likely to be more expensive than to an internal supplier. As the distance of location from origin increases, interaction costs for ongoing coordination gain relatively more importance. A process that is sourced near the original site has more options in terms of interaction, especially with the possibility of using face-to-face meetings to resolve
coordination issues. A process that is sourced from a relatively distant location on the other hand will need more investment in enabling on-going coordination.

In outsourcing involving service provision, significant coordination needs to take place between the vendor and the client on an ongoing basis, giving rise to ongoing interaction costs. These remote coordination efforts can take place efficiently only when both parties have the same terminology and understanding of the underlying processes. Such coordination requires the need not only for personnel with the requisite knowledge, but also facilitating exchange by means of investment in appropriate communication channels. In relationships with continually evolving processes, face-to-face interaction by means of some on-site presence of vendors at client locations and clients at vendor locations will prove helpful in efficient coordination. Face-to-face interactions are especially important at the problem definition stage, and can be used periodically to signal commitment and promote identity required to work through problems. Such devices are especially necessary in offshoring, since cultural and communication problems could easily be misattributed to motivational issues.

The higher the transaction costs along the above three dimensions, the more difficult a process is to outsource. While contracting costs are widely understood and anticipated, transaction costs arising from transition and steady-state coordination are frequently hidden costs in BPO. Inexperienced outsourcers are often unpleasantly surprised by the magnitude of the transition and interaction costs, and outsourcing relationships where enough resources were not devoted to managing transition and steady-state interaction lead to disappointing results. Outsourcing business processes is not like procuring commodities. Transaction costs are significant and must be managed.
Superstition 4: We create value by writing iron-clad contracts

In order to reap the greatest benefits from an outsourcing initiative, the right balance must be struck between trust and control. This will give both sides the flexibility to adapt to inevitable market changes and business shifts.

Director of Sales, Global Services Division, Technology Company

Services outsourcing is not a one-time transaction, but an exchange that evolves over time. Process improvements, service level expectations and fit with other contextual processes typically evolve with changing competitive conditions and changing technologies. These improvements in both delivery and development often evolve in unexpected ways. As a thought exercise, it is useful to consider the difference between procuring stationery, and outsourcing a business process. Unlike stationery, business processes are less standardised; its specifications and acceptable quality levels are harder to define. Many aspects of the outsourcing project will only become clear during the course of the project. For these reasons, it is not humanly possible to foresee all contingencies that may arise in such relationships: contracts will always be fundamentally incomplete. Spending extended amount of time in trying to anticipate all future states of the world, and incorporating them in an “iron-clad” contract is usually a waste of time as many of our respondents discovered. Worse, a protracted and contentious contract negotiation process may actually sour relationships between vendors and clients even before the beginning of the outsourcing project.

In outsourcing relationships, especially those involving service provision, it is impossible to write “iron-clad” contracts that take all possible contingencies into account. The process and the relationships will both evolve, and the contract needs to be flexible enough to allow for such evolution.
Superstition 5: Contracts don’t matter

In contrast to those who spend too much time trying to iron-clad contracts, are those who don’t give enough attention to contracts at all. We recommend against spending too much time on drafting contracts, not because safeguards are unnecessary in BPO relationships, but because contracts are not the most efficient means to achieving them.

Vendor selection is one mechanism that can help reduce the chances of being exploited. Thorough due diligence of the vendor’s capabilities, an examination of their processes (and not just if they have Level 5 certification), referrals, and track record can all help to lower the hazards of an exploitative relationship. Reliance on assurance and trust is another. Assurance is a rational decision to cooperate, since the payoff from the future relationship is far larger than that available by reneging on the contract. Trust, on the other hand is a non-rational expectation that the other party will continue to cooperate, and usually arises from prior interactions in which the partner had an opportunity to exploit but did not. Managers must provide incentives that elicit cooperation with policies such as ‘the business is theirs until they lose it’. They could also highlight reputation effects that might significantly affect the vendor’s ability to do business in the future. Managers must simultaneously develop conditions that facilitate the emergence of trust with contracts that are perceived as fair by parties, allowing the interacting personnel to establish relationships, and encouraging risk-taking and reciprocity with concessions and open-ended contracts. Finally, managers should ensure that the contract has well specified exit criteria that protect both parties in event of a decision to end the relationship.

This is not say that contracts serve no purpose. Recent research finds that managers learn to contract better over the course of a relationship. Contracts in such situations serve as repositories of knowledge acquired in the relationship regarding both the partners and the technology. Contracts are flexible frameworks that guide the relationship and change as the
circumstances change. They lead to greater trust and cooperation between parties when they are used to canalize action by formalizing mutually agreed upon expectations and understandings, including learning from prior interactions. Managers must also specify clearly a contract with the services to be performed, the metrics for evaluation and the mechanisms for sharing information and maintaining transparency. Such clear specification on concrete outcomes enables improved understanding and coordination leading to increasing trust between the parties. Managers could draft two-tier contracts, one that is at the high level and specifies the spirit of the relationship to address issues like strategic objectives, confidentiality, and year-to-year transformation. A more detailed lower level contract is specified that includes details of the process, the metrics and evaluation systems that is more short-term and likely to be revised in the spirit of the relationship over time.

Other contract provisions such as Step-In clauses and S-T-R-ET-C-H goals could be included to maintain a balance of assurance and trust. Step-In clauses specify conditions under which the client will take over the operation of the process from the vendor, typically when quality reaches an unacceptably low level. STRETCH goals clearly define acceptable levels of performance and provide incentives for vendors to reach pre-defined above-acceptable levels in the spirit of continuous improvement. Contracts do matter; a well specified contract in the drawer provides both parties with necessary assurance to draw on in the case of disasters, but the day-to-day business may be conducted based on the relationship with minimal reference to the details of the contract.

Superstition 6: It’s not our headache anymore

FACT: Most automobile and aircraft assemblers (eg. Toyota, GM, Ford, Boeing, Airbus) continue to do R&D in components they stopped manufacturing in-house decades ago!
Outsourcing a process does not mean abdication of responsibility, as our previous discussion of outsourcing in the automobiles and pharmaceutical industries illustrates. In addition to responsibility, the client firm should retain the knowledge underlying the process, its dependencies and how it fits with the overall organization. Though several vendors have reached high levels of process competence and could improve the efficiency of the process several fold over the in-house staff, the client firm retains responsibility for ensuring the effectiveness of the process and adapt it to its changing business needs. The evaporation of competence regarding the process in the client organization severely compromises the ability of the client to fuel future innovations. The client firm acts as the hub of several interrelating processes and is uniquely capable of pursing systemic innovations by fine-tuning all the processes with respect to each other. Some degree of individual component knowledge is necessary to pursue such ‘architectural innovations’.

For example, automakers still carry out R&D in components that they stopped making ten years ago, and frequently intensely collaborate with the component suppliers in these efforts. Firms that retained the knowledge to integrate these sub-systems into the over-all architecture of the firms products were better able to identify changing market trends and technologies, and develop enough expertise to perform systemic changes in all the processes that a new technology enables. This case is vividly illustrated by research on the leading manufacturers of aircraft engine control systems\(^6\). Even though all major manufacturers had outsourced the production of engine control systems, those manufacturers that had maintained R&D capabilities in control systems were quicker to identify technological changes in the control system, and were significantly more effective in performing systemic adaptation in all aspects of engine manufacture that were affected by these changes. Similarly, Intel still performs R&D on components whose manufacturing it has outsourced or has never manufactured itself in the first place.
Another problem with the evaporation of competence is that the client is now in a dependence relationship with the vendor. Since the client no longer has any knowledge about the process or ability to execute it, there is significant scope for opportunism on the part of the vendor—what we know as the hold-up problem. Even with clear exit criteria with the current vendor, the client may no longer have the competence to evaluate other vendors, negotiate suitable contracts and transfer the requisite knowledge to set up a new outsourcing relationship for the process if it does not retain personnel with the necessary knowledge. Outsourcing does not mean that the process is not your headache anymore—thought it is (hopefully) less of a headache!

**Superstition 7: Our first failure should be our last attempt**

Very few firms report great success with their very first outsourcing project. A few have also forsaken their BPO initiatives in the light of such early failures. Depending on the complexity of the process to be outsourced, the contractual, transition and interaction requirements could be very large. However, there is evidence of significant learning both on part of the client and the vendor in such relationships. With time partners learn to communicate better leading to more efficient coordination and less coordination mistakes. Clients and vendors learn about each other’s needs and are able to negotiate better contracts focusing on value creation.

The importance of experience for better relational outcomes is convincingly illustrated by the research in joint ventures and strategic alliances. Researchers find that experience with the alliance partner, especially, managing the alliance post-formation is one of the most important predictors of alliance success\(^7\). Learning between partners, especially of those skills that are difficult to articulate are enhanced by encouraging and facilitating contact between the members of the two organizations. Such contact also improves trust and mutual
respect that aid in free information sharing and learning from each other’s skills and capabilities. Research in both alliances and acquisitions also shows that having a formal process to capture lessons-learned from previous agreements also helps the organization to perform better in the next alliance. Such formalization is facilitated by having a centralized function that is responsible for alliance related activity that serves as the coordination hub for the individual divisions, as well as having personnel with specialized expertise that other parts of the organization can leverage.

These lessons from successful strategic alliances are applicable to BPO. Time should provide both the client and vendor experience with each other’s business processes, decision making styles and corporate cultures to allow for smooth interaction between the employees. For instance, despite the recent controversy, DELL is committed to its offshoring strategy and has set up another call centre in India to handle sales and marketing activities. Many firms active in offshoring are also taking active steps to escalate the pace of learning, by pooling the knowledge about BPO from different parts of the organization. For example, in Deutsche Bank, Barclays Bank and the Virgin group, offshoring business processes started as autonomous initiatives on the part of some businesses, typically close behind the decision to offshore IT services. As these initiatives gained momentum, senior management has setup more formal offshoring ‘expert centres’ that centralize and codify the knowledge from these experiences to better execute future deals.

CONCLUSIONS

The demands of the current business environment are such that no CXO can ignore Business Process Outsourcing. The Economist reports that 16% of all work done in world’s IT-services industry is already carried out remotely. Forrester, a leading IT analyst, projects that the number of U.S. jobs offshored will grow from 400,000 jobs today to roughly
3.3 million jobs by 2015, accounting for some $136 billion in wages. Of this total, Forrester expect 473,000 jobs from the IT industry to go offshore over next twelve years, representing eight percent of all current IT jobs in the country. And a 2003 report from Deloitte Research said that the top 100 financial-services firms plan to move $356 billion in operations and two million jobs overseas in the next five years. Despite some initial equivocal results, BPO shows no signs of abating – the debates in most boards regarding BPO having moved from ‘whether’ to ‘when’. Our goal in this paper is to steepen the learning curve for those firms that are actively considering outsourcing by identifying some common pitfalls based on the experience of the early adopters. We hope we will have provoked a thoughtful discussion among managers about the issues we have highlighted in this article.
INSET 1

The Research Base

Our research commenced with a comprehensive review of the academic literature on the theory of firm boundaries and on outsourcing. Since literature on outsourcing is limited, we also drew on the larger literature on inter-organizational relationships. This was supplemented by over 100 detailed semi-structured interviews with industry executives that lasted between 30 – 60 minutes each. The authors conducted approximately half of the interviews, and students in the MBA, executive MBA and Sloan programs supervised by Puranam conducted the others. Approximately 40% of the interviewees were from client firms, 45% from vendor firms and 15% from academics and consultants. The research covered outsourcing and offshoring in the banking and financial services, insurance, FMCG, telecommunications, pharmaceuticals and the media industries. The interviews were structured such that the interviewees started with what they thought were common obstacles encountered in outsourcing, and later were asked to elaborate on particular issues based on their own experience.
<table>
<thead>
<tr>
<th>Ownership Structure</th>
<th>ON-SITE</th>
<th>NEAR-SHORE</th>
<th>OFFSHORE</th>
</tr>
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<tbody>
<tr>
<td>COMPLETE OWNERSHIP (own employees execute process)</td>
<td>Keep In-House Status Quo</td>
<td>Captive Center in Bristol/Dublin</td>
<td>Captive Offshore Captive Center in India</td>
</tr>
<tr>
<td></td>
<td>(Neither outsourced nor offshored)</td>
<td>Captive Center in India</td>
<td>(Offshored, not outsourced)</td>
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<tr>
<td>SHARED OWNERSHIP (process is performed by an entity in which both your organization and a vendor have joint ownership)</td>
<td>Shared Ownership JV in London</td>
<td>Shared Ownership JV in Bristol/Dublin</td>
<td>Shared Ownership JV in India</td>
</tr>
<tr>
<td>NO OWNERSHIP (3rd Party operated, vendors employees execute process)</td>
<td>On-Site Vendor Vendor employees work in your site in London</td>
<td>Offshore Vendor Vendor executes process from facility in Bristol/Dublin</td>
<td>(Outsourced and Offshored)</td>
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<tr>
<td></td>
<td>(Outsourced, not offshored)</td>
<td>Vendor executes process from India</td>
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**FIGURE 1**
<table>
<thead>
<tr>
<th>Motive for Outsourcing</th>
<th>Advantages</th>
<th>Reasons</th>
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<tbody>
<tr>
<td>Efficiency</td>
<td>• Cost benefits</td>
<td>• Wage differences across geographies</td>
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<td></td>
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<td>• Economies of experience</td>
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<td>• Economies of scale</td>
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<td>• Specialisation of provider</td>
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<td>• True costing</td>
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<td>• Sharper Incentives</td>
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<td>• Employee “professionalization”</td>
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<tr>
<td>Effectiveness</td>
<td>• Quality improvements</td>
<td>• Access to better technology</td>
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<td></td>
<td></td>
<td>• Continual improvements</td>
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<tr>
<td>Flexibility</td>
<td>• Move assets off balance sheet</td>
<td>• Convert fixed costs into variable costs</td>
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<tr>
<td></td>
<td>• Meet changing market demands</td>
<td>• Scalability</td>
</tr>
<tr>
<td>Questions to ask about the process</td>
<td>If Not …</td>
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</tbody>
</table>
| **Contracting Costs** | • Is it difficult to measure the collective performance of the individuals that perform this function?  
• Must individuals acquire company-specific or division-specific skills to adequately perform this function?  
• Is the function generic enough that several vendors are available in the market that can perform it with equal competence? | • Careful due diligence on vendors  
• Investment in local knowledge  
• Flexible contract with clear exit clauses  
• Clear specification of expectations, deliverables and escalation procedures |
| **Transition Costs** | • Do existing work manuals and operating procedures capture precisely what people working in process actually do?  
• Is the quality of the process affected to a great extent when a few individuals from this group leave the organization?  
• Are the interactions between individuals who are involved in executing this process well structured with clear handoffs? | • Investment in codifying knowledge  
• Significant effort in close observation and face to face interaction between vendor personnel and client experts  
• Committing adequate resources to this process, especially expert time.  
• Motivate employees to share knowledge |
| **Interaction Costs** | • Do personnel executing this process have to be in constant touch with personnel executing other surrounding processes?  
• Will changes to this process lead to many changes in several of the surrounding process?  
• Is performing this process time-sensitive to performing other related processes? | • Invest effort in black-boxing and creating clear hand-offs between outsourced process and surrounding processes.  
• Invest effort is developing tools and procedures to smooth on-going coordination  
• Strategic use of face-to-face communication to smooth coordination, develop relationships and build social identity. |
8 J. Mathew and A. Sehgal, “Dell setting up second subsidiary in India”, The Economic Times, Dec 29, 2003:
10 From C. Risen “Is outsourcing really so bad? Missed Target” in The New Republic 02/02/04